

STAT

DE/S 71-2650

OCS-1182-71

2 JUL 1971

FILE

Personnel 11

MEMORANDUM FOR: **President, Northwest Federal Credit Union**

SUBJECT : **OCS Data Processing Charges for Credit Union**

REFERENCE : **Memorandum to President, NWFCU, from
C/MSD/OCS, dated 23 June 1970, Subject:
Project Costs for Credit Union**

1. Reference (copy attached) established an estimate of \$6,400 per quarter for computer service concerned with the processing of Credit Union data by computers in the Office of Computer Services.

2. The first two quarters of computer support (1 January to 30 June 1971) have been provided to the Credit Union, and therefore, reimbursement of the Agency in the amount of \$12,800 is in order. A check in this amount made to the order of the Treasury of the United States should be forwarded to the Office of Computer Services, Room 2E 29. Incidentally, no charges have or will be made for one-time costs for the conversion of accounts from the former manual records or for work involved in bringing the CAPS system to an operational status.

3. Reference also stipulated that any change in future billing would be agreed upon a quarter before billing. Our review of actual experience with the CAPS system shows that a total of 37 hours of IBM 360/65 processing will be required each quarter instead of the 25 hours previously estimated. This will increase the quarterly costs to \$9,175, effective for the quarter beginning 1 July 1971.

4. I trust that the service being rendered by this Office and the change in cost noted above meet with your approval.

[Redacted Signature Box]

JOHN D. LAMS
Director of Computer Services

Attachment: a/s

STA

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ADMINISTRATIVE -- INTERNAL USE ^{LY}

DD/S

70-3568

19 AUG 1970

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Data Processing for Credit Union

1. This memorandum submits recommendations for your approval; such recommendations are contained in paragraph 8.

2. The Board of Directors of the Northwest Federal Credit Union has been aware for some time of the need for a major change in bookkeeping and accounting methods. The present system, installed in January 1963, is causing serious maintenance and management problems and is antiquated in terms of current methods and equipment generally in use in other credit unions:

a. It is incapable of meeting the volume of work directly attributable to the great increase in payroll deductions, and posting of accounts - even with extended overtime - is running as many as four weeks behind.

b. It cannot provide important management and financial controls, such as automatic delinquency lists and daily reconciliation of accounts, which require manual preparation under the present system.

c. It serves as a deterrent to semi-annual or quarterly dividend payments.

3. For these reasons, the Board of Directors has investigated, with representatives of the Office of Computer Services, systems that might be installed to replace the present one. From these studies has flowed general agreement that a computer is the best answer. Consequently, various possibilities in the computer field have been explored: the use of CIA computers and personnel; the creation of a separate computer facility within the Credit Union; the purchase or lease of existing computer programs from external sources for use within the Agency; and the feasibility of contracting with external sources for the use of their facilities.

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Copy - C/MSD

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4. The most reasonable and economical system we have found is one available to us through the District of Columbia Credit Union League. The League, with other Credit Union leagues, owns a computer service center, Centralized Automated Processing Service (CAPS), which has its headquarters in Baltimore and is set up exclusively for Credit Unions. The CAPS system is a complete accounting system which furnishes all the required records specified by the National Credit Union Administration, as well as a series of useful reports of great value to Credit Union managers. Credit Unions which use the CAPS system send their daily transaction records to CAPS on a daily basis. The updated records are returned the next day in the form of a print out. With proper controls on the use of true names and numbers, the Office of Security would approve a similar agreement for our Credit Union. We eventually investigated the possibility of purchasing the CAPS Program for service by OCS. After a series of consultations with representatives of CAPS, which included an actual on site inspection by representatives of the Credit Union and OCS of the CAPS Program at Baltimore, the Board of Directors concluded that it would be better to purchase the CAPS Program and have it serviced within the Agency by OCS, thereby maintaining the accounting and record-keeping system in the most secure manner possible and providing other "in-house" advantages.

5. If approved, the cost to the Credit Union for the CAPS Program will be \$15,000. Attached at Tab A is a Letter of Intent which specifies other costs to the Credit Union for installation, conversion, and subsequent assistance to be offered by CAPS, when needed. Once the CAPS system has been installed, monthly costs, which can be attributed to the bookkeeping system, will actually be less by a few hundred dollars than the current monthly cost.

6. There is the additional question of reimbursement to the Agency for OCS time and attached at Tab B is a memorandum specifying the basis for computing reimbursement to OCS.

7. Computerization will modernize our Credit Union, resolve long-standing problems, and permit attentive management of Credit Union affairs. If approved, the switch-over to the CAPS system can take place over a weekend and one work day. We would propose to announce the closing, except for emergency loan situations, of the Credit Union on either a Friday or a Monday.

- 2 -

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ADMINISTRATIVE -- INTERNAL USE ONLY

8. It is recommended, therefore, that you approve

* a. the Credit Union proposal to convert the present bookkeeping system to the CAPS Program as outlined above, and

b. the reimbursement schedule as outlined at Tab B.

FOR THE BOARD OF DIRECTORS:

[Redacted Signature]

President
Northwest Federal Credit Union

STAT

CONCUR:

/s/ Robert S. Wattles

20 AUG 1970

Director of Personnel

/s/

[Redacted Signature]

25 AUG 1970

Acting Director of Computer Services

APPROVAL:

[Redacted Signature]

*Approve recommendations 8a and b with a clarification of 8a as specified below.

13.(a) - Specifically - the purchase of the CAPS Program to be serviced within the Agency by OCS to maintain the security of the information in the Credit Union System.

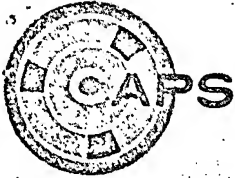
SIGNED R. L. Bannerman

R. L. Bannerman

DISAPPROVAL:

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26 AUG 1970



Data Center -- 1703 E. Joppa Road -- Baltimore, Md. 21234

Telephone: 301-661-7200

July 6, 1970

LETTER OF INTENT

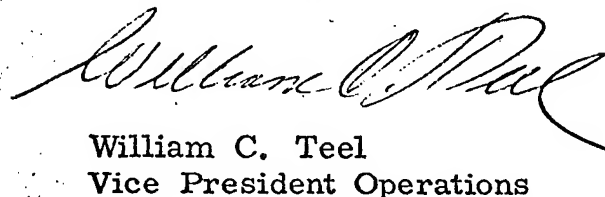
Northwest Federal Credit Union
P. O. Box 663
Washington, D. C. 20004

Gentlemen:

CAPS agrees to provide the following effort for Northwest Federal Credit Union at the costs shown:

- 1 - CAPS Batch Processing Credit Union Data Processing Programs in operating System Form installed in the Credit Union Computer Center - \$15,000.00.
- 2 - Conversion of Northwest Federal Credit Union ledger accounts to the System at cost plus 10%, but in any event not more than .30¢ per account.
- 3 - System support and maintenance after conversion will be at \$16.00 per hour plus expenses.
- 4 - Field assistance to the Credit Union to assist in resolution of any problems after conversion will be at the rate of \$10.00 per hour plus expenses.
- 5 - Items 3 and 4 "Time" will be computed "On Site".

Very truly yours,



William C. Teel
Vice President Operations

WCT:dd

TAB B

23 June 1970

MEMORANDUM FOR: President of the Board,
Northwest Federal Credit Union

SUBJECT : Project Costs for Credit Union

1. Two methods of costing the proposed Credit Union project were considered and a factor cost method is recommended as the most efficient and equitable. Attached is an estimate of the computer hours needed to process the proposed system, and the current OCS factored cost. This method assumes the software to be purchased will be stable, reliable and consistent.

2. In order to be equitable, the total time to perform the entire task must be fairly accurate, and accurate machine cost, including overhead, applied against that time to achieve charges. These two factors, time and hourly rate, must be periodically examined and adjusted when either factor changes. We propose to bill the Credit Union quarterly, with any change in billing to be agreed upon a quarter before billing.

3. For your planning purposes, an estimate of \$6,400 for the first quarter is given, with a revision, if such is needed, before the first quarter of operation. Assuming 18,000 participants, it amounts to about 35 cents per record per quarter, which compares to the CAPS rate of 63 cents per record per quarter.

Attachment



STAT

Attachment

| <u>Period</u> | <u>Estimated Time</u> 360/65 | <u>Estimated Time</u> 360/20 |
|---------------|---|--|
| Week | 1:30 hours = 6:00 hours per month = 18:00 hours per quarter | 1:00 hour = 4:00 hours per month = 12:00 hours per quarter |
| Month | 1:00 hour = 3:00 hours | 1:00 hour = 3:00 hours per quarter |
| Quarter | 4:00 hours | 4:00 hours |

18+3+4 = 25 hours per quarter 12+3+4 = 19 hours per quarter

\$230 per hour x 25 hours
= \$5,750.00 per quarter

\$35 per hour x 19 hours
= \$665.00 per quarter

Total Estimated Quarterly Cost = \$6,400

The hourly rates quoted above include all OCS overhead costs, such as operators, key punch, material, and system maintenance. Further explanation of this factored hourly rate can be had by contacting the Executive Officer, OCS.

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70.3568

19 AUG 1970

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8. It is recommended, therefore, that you approve

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FOR THE BOARD OF DIRECTORS:



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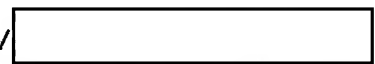
STA

CONCUR:

/s/ Robert S. Wattles

20 AUG 1970

Director of Personnel



25 AUG 1970

Acting Director of Computer Services

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Deputy Director for Support

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